

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-08
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FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 165
INFO AMCONSUL ADANA POUCH
AMCONSUL ISTANBUL
AMCONSUL IZMIR
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USOECD

E.O. 11652: NA
TAGS: EFIN, TU
SUBJ: TURKEY'S BALANCE OF PAYMENTS: COMMENTS BY CENTRAL
BANK FOREIGN EXCHANGE DIRECTOR

REF: 77 ANKARA 9418

1. DURING JANUARY 9 CALL BY EXIM BANK TEAM ON YAVUZ CANEVI,
DIRECTOR GENERAL, FOREIGN EXCHANGE DEPARTMENT, TURKISH CENTRAL
BANK, LATTER MADE FOLLOWING COMMENTS ON TURKEY'S BOP SITUATION
WHICH MAY BE OF INTEREST TO ADDRESSEES.

2. CANEVI SAID CENTRAL BANK HAD ADVISED NEW GOVERNMENT THAT
FOLLOWING STEPS WOULD BE REQUIRED TO CLEAR UP CURRENT AND
SOON-TO-OCCUR PAYMENTS ARREARAGES:

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(A) STANDBY AGREEMENT WITH IMF, WHICH WOULD PROVIDE ONLY
NEGLECTIBLE AMOUNT BUT WOULD OPENDOOR FOR ADDITIONAL FINANCING
FROM COMMERCIAL SOURCES.

(B) A BRIDGING LOAN ON AN URGENT BASIS IN THE ORDER OF \$400
MILLION TO COVER OVERDUE PAYMENTS OF PRINCIPAL ON CONVERTIBLE

LIRA DEPOSITS (CLDS) AND TRADE ARREARAGES WHICH WERE LEGAL OBLIGATIONS OF GOVERNMENT OF TURKEY. HE BROKE THIS FIGURE DOWN AS (1) \$120-130 MILLION IN OVERDUE CLDS (CENTRAL BANK HAS MADE VIRTUALLY NO REPAYMENTS OF CLD PRINCIPAL SINCE JULY 1977, HE SAID), AND(2) THE REMAINING \$270-280 MILLION IN TRADE ARREARAGES WHERE CENTRAL BANK HAS AUTHORIZED TRANSFERS OF FOREIGN EXCHANGE BUT LACKED COVERING FUNDS.

(C) A FURTHER LOAN FOR ONE BILLION DOLLARS OR MORE TO PAY FOR IMPORTS WHICH HAD ALREADY ENTERED ON A CASH AGAINST GOODS BASIS AND WERE AWAITING CENTRAL BANK AUTHORIZATION FOR TRANSFERS OF FOREIGN EXCHANGE. CANEVI SAID, HOWEVER, THAT CENTRAL BANK DID NOT IN FACT KNOW PRECISE AMOUNT OF THESE ARREARAGES INASMUCH AS AN UNKNOWN PART OF THEM HAD PROBABLY ALREADY BEEN FINANCED BY IRREGULAR, "BLACK-MARKET" DEVICES COUTSIDE OF TURKEY. CANEVI SAID HE HAD NO IDEA OF VALUE OF IMPORTS FINANCED IN THIS WAY BUT SAID IT COULD BE AS MUCH AS \$500-600 MILLION SINCE AUGUST 1977 WHEN PRACTICE BECAME WIDESPREAD. (EMBASSY IS REPORTING DETAILS OF THIS DEVICE AS LEARNED FROM COMMERCIAL BANKING SOURCES BY SEPTTEL).

(D) CANEVI ALSO SAID THAT IN ADDITION TO THE FOREGOING URGENT REQUIREMENTS, FINANCING WOULD BE NEEDED SOON FOR \$1,050 MILLION IN CLDS MATURING IN 1978. IN ADDITION, ACCEPTANCE CREDITS OF AN UNSPECIFIED AMOUNT WOULD ALSO BE COMING DUE DURING THE COMING YEAR. (IN SEPARATE CONVERSATION, SADULLAH AYGUN, DIRECTOR GENERAL OF THE LIMITED OFFICIAL USE

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TREASURY FOR FOREIGN FINANCING, TOLD EXIM TEAM THAT CENTRAL BANK WAS ULTIMATE OBLIGOR FOR REPAYMENT OF ACCEPTANCE CREDITS.)

3. DISCUSSING PRIORITY CLAIMS ON AVAILABLE FOREIGN EXCHANGE RESOURCES, CANEVI STATED THAT, IN ADDITION TO THE COMMODITIES GENERALLY UNDERSTOOD TO HAVE PRIORITY (CRUDE OIL AND PETROLEUM PRODUCTS, MEDICINES FOR HUMAN USE, FERTILIZERS, AND MILITARY EQUIPMENT), EVERY EFFORT WAS MADE TO PAY PUBLIC DEBTS AND MATURING ACCEPTANCES. HE SAID PRIORITY HANDLING WAS AUTHORIZED SOLELY ON BASIS OF LETTERS PERSONALLY SIGNED BY MINISTER OF FINANCE. HE ALSO REMARKED, HOWEVER, THAT FOREIGN EXCHANGE SHORTAGE UNFORTUNATELY HAD REACHED SUCH A POINT THAT CENTRAL BANK WAS FORCED TO ESTABLISH WAITING LIST FOR PRIORITY PAYMENTS.

4. EXTENT TO WHICH TURKEY'S PROBLEM IS IN PART, AT LEAST, A MANAGEMENT ONE WAS EXEMPLIFIED BY CANEVI'S COMMENT THAT BRANCHES OF CENTRAL BANK HAD BEEN ISSUING TRANSFER AUTHORIZATIONS WITHOUT CLEARANCE WITH CENTRAL BANK IN ANKARA AND WITHOUT REGARD TO AVAILABILITY OF SUFFICIENT FUNDS IN ACCOUNTS AGAINST WHICH THESE AUTHORIZATIONS CHARGED. WE UNDERSTAND THIS PRACTICE HAS BEEN BROUGHT UNDER CONTROL.

5. CANEVI'S COMMENTS WERE IN RESPONSE TO QUESTION FROM EXIMTEAM AS TO ORDER IN WHICH ARREARAGES WOULD EVENTUALLY BE CLEARED UP. ASIDE FROM STATEMENT THAT IT WOULD TAKE FROM TWO TO THREE YEARS TO WORK ARREARAGES DOWN, THIS QUESTION WAS NEVER EXPLICITLY RESPONDED TO.

6. COMMENT: CANEVI'S ESTIMATE OF VOLUME OF ARREARAGES GEING CARRIED FORWARD INTO 1978 (PARA 2(B) AND (C)) CORRESPONDS ROUGHLY WITH OUR OWN (REFTEL). SPIERS

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